



### **PORTRAIT**

From DJ to property MD  
- Meet Pål Ahlsén

### **SWEDEN TODAY**

"Nobody wants to sell"

### **HOTEL PROPERTIES**

11 pages on the hotel market



Extra  
magazine  
inside!

**THE LEADING PROPERTY MAGAZINE IN THE NORDIC REGION**



# Sweden's property market is record hot

**SUMMER 2015 IN SWEDEN** has been relatively poor, at least from a weather point-of-view. Rain and cold dominated the month of July, and many Swedes sought sun and warmth abroad.

**BUT THE SWEDISH** property market is anything but cold – more like red-hot; a united consultant corps are talking about a transaction volume well on par with the record years before the financial crisis in 2008. And the forecasts indicate that when 2015 is summed up at the beginning of next year, this year will be a new record year for transactions in Sweden.

» Things look promising for Sweden at this year's Expo Real.«

**AND WE ARE ALSO** seeing several new – and not so new – investors doing business in Sweden again. It's exciting, and looks promising for Sweden at this year's Expo Real.

**WHATEVER HAPPENS,** Fastighetssverige will be at the centre of all discussions at Expo Real, ready to pick up the choicest bits and deliver them to our readers. We will also be exposed in all magazine racks, we will be visible on the press stand and we will deliver daily newsletters with all the latest news, interviews and video clips straight from the Expo. In brief: all who so wish will be updated about what is happening at this year's Expo Real via one or other of our channels.



**Editor-in-chief** // Eddie Ekberg

**SEE YOU AT THE EXPO!**

**3 2015 // Year 11**

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**On the cover** // Pål Ahlsén  
Read the interview on page 20.

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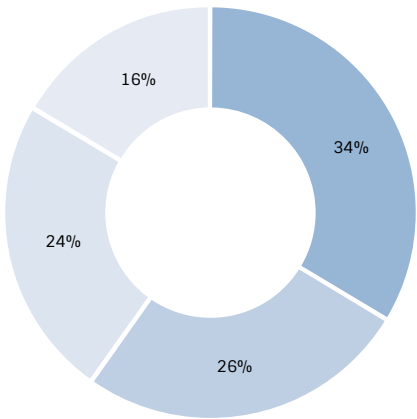
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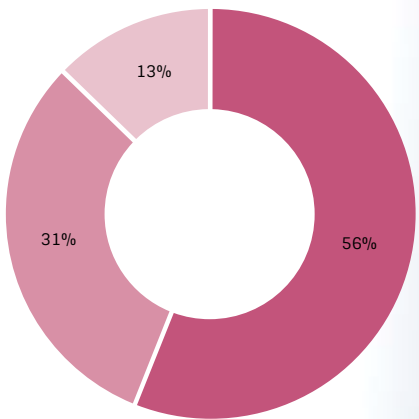
## ASSETS UNDER MANAGEMENT

### GEOGRAPHICAL DISTRIBUTION



SWEDEN DENMARK FINLAND NORWAY

### REAL ESTATE TYPE



OFFICE RETAIL RESIDENTIAL



# Contents // 3 2015

20

Pål Ahlsén is steering Akelius 65 billion ship in six countries.

A portrait of Pål Ahlsén, a man with a beard and balding head, wearing a blue blazer over a light blue striped shirt. He has his arms crossed and is smiling slightly. The background is a blurred wall with large, dark, abstract graffiti.

6

A portrait of Annika Winsth, a woman with dark curly hair, wearing a white blouse. She is standing with her hands clasped in front of her.

**Macro analysis**  
Annika Winsth: The domestic economy is growing well.

8

A portrait of Christel Armstrong Darvik, a woman with blonde hair and glasses, wearing a black blazer over a black and white striped top. She is sitting at a table with her hands clasped.

**Sweden today**  
Christel Armstrong Darvik on the hot Swedish property market.


14

A nighttime photograph of a modern, multi-story building with a glass facade, illuminated from within. A car is visible on the street in the foreground, and a red laser line is projected across the road.

**News**  
The latest news from the Nordic real estate market.


32

Åsa Henninge explains why the hotel property market is so attractive.

A circular portrait of Åsa Henninge, a woman with blonde hair, smiling. The background of the main image shows a hotel room with a bed and a framed picture on the wall.

24

Hans-Åke Petersson on the latest trends on the hotel market.

A circular portrait of Hans-Åke Petersson, a man with glasses, smiling. The background of the main image shows the Gothenburg Towers, a tall glass skyscraper, with trees in the foreground.

36

Karolin Forsling about the workplaces of the future.

A portrait of Karolin Forsling, a woman with dark hair, wearing a black blazer over a white top. She is smiling and standing in a modern, brightly lit office or public space with other people in the background.



# Messy summer globally



■ The Swedish economy, in particular the domestic economy, is growing well. The global unrest that has flared up has not impacted on growth in Sweden. On the contrary, GDP was slightly higher than expected during the second quarter this year. For the year as whole, this means growth of around three per cent, which is far above the historical average.

AT THE SAME TIME, shortages on the labour market are relatively high, and in some sectors we are already seeing difficulties in finding the right new skills. If the economy continues to improve, bottle-necks will probably become more noticeable.

Despite this, the Riksbank is expected to implement an even more expansive monetary policy. The fact that the Swedish economy is doing well seems to be of little importance when all the focus is on reaching the inflation goal of two per cent.

So what can the Riksbank do when prices are falling on a broad front internationally and salary increases in the forthcoming negotiating season are limited by tough global competition? The tool that remains to increase inflation is a weaker Swedish krona. The krona has already contributed to rising inflation. Since the Riksbank changed its focus in 2014, inflation has bottomed out and is rising, even though it is still far off the goal. The Riksbank will therefore probably remain very keen on keeping the krona weak. For this, an even more expansive policy is required in the future.

IN ALL PROBABILITY, the Riksbank will therefore reduce the official bank rate, the repo rate, a bit further this autumn. Nor can other measures be excluded either. Monetary policy therefore remains extremely expansive, in view of how well the Swedish economy is developing. For households and companies that are borrowers, this is of course pleasant, but the question is whether it is not a bit too risky. Free money easily leads to bad investments,

that may end up costing considerably more in the future than the benefit they give today.

In the near future, there will probably not be much change in household indebtedness, however. It is difficult to see any public authority taking measures to slow down developments on the housing market in the short term. The Swedish Financial Supervisory Authority got its fingers smacked for its proposal to introduce compulsory amortisation of housing debt, and a new proposal will probably not surface soon. Politicians and the Riksbank do not want to use the tools they have. The borrowing fest is therefore likely to continue for a while longer.

THE AVAILABILITY OF CHEAP CREDIT is an important reason for why growth is good; another one is the strong growth in employment. The prerequisites for households are thus very good, and it is in particular the domestic economy that is doing well. In addition to rising private consumption, construction investment and public consumption are also increasing. Goods exports are continuing to be mediocre, despite a weak krona, while services exports are doing considerably better.

Orders received by the goods industry are looking better ahead, but exports have remained weak for a surprisingly long time. The global turbulence and, in particular, the question marks surrounding China are not making the situation easier. Weak goods exports are, however, not just a Swedish problem; instead, the

»Despite some black clouds on the horizon globally, there are thus the prerequisites for a relatively favourable autumn.«

ANNIKA WINSTH

Age: 47 years.

Title: Chief Economist at Nordea.

Background: Graduated in Economics from Lund University in 1992. Worked on the Long-Term Report at the Ministry of Finance. Recruited to Nordea in 1994. Chief Economist since 2008.

situation is the same in several countries. World trade is actually contracting, and now also in industrialised countries. Historically, this has often led to major global recessions.

THE STRUCTURAL TRANSFORMATION that is taking place around is, from goods production to services production, partly the explanation for the weak goods exports. But the question is, how much? If exports do not pick up more, we will have to expect lower growth in the future. Swedish companies and industries have, however, been good at adapting and are well ahead in the structural transformation.

Despite the Greece crisis and stock exchange falls in China, a global recovery is in progress. Not least the USA, but also the United Kingdom – important markets for Sweden – are going strong. In the USA, a first interest rate rise after many years of extremely expansive monetary policy is getting closer. The Fed is expected to raise the interest rate in September, and the Bank of England somewhat later. This might make long-term interest rates rise slightly, but at the same time the ECB is continuing its very expansive policy. Growth in the euro area is expected to increase with time, but from a low level.

Despite some black clouds on the horizon globally, there are thus the prerequisites for a relatively favourable autumn – not least for the Swedish economy, where interest rates are expected to remain low for another long while. ■



# “Many want to buy, but nobody wants to sell”

■ The extremely low interest rates are attracting lots of capital to the property market.

“Just now, there is great imbalance – many want to buy, but nobody wants to sell,” says Christel Armstrong Darvik, MD of Stena Fastigheter, who here gives her view of the Swedish market. **By:** Nicklas Tollesson

**STENA FASTIGHETER IS PART OF** the Stena group of companies, which is best known for its shipping operation. The company owns and manages property worth SEK 36 billion (EUR 3.9 billion) and is thus one of Sweden's largest privately-owned property companies.

In 2014, the transaction volume in Sweden amounted to around SEK 160 billion (EUR 17 billion), and Christel Armstrong Darvik believes the level will be similar this year.

“It would have been even higher if there had been more to buy. I think that this imbalance between the willingness to buy and to sell has arisen this year. It became very clear at Mipim this year. I have been there around 15 times, and there has never been so little for sale as there was this year.”

At the same time, many want to buy. Interest in property as an investment category has increased considerably in Sweden in recent years.

“Institutional investors have increased their property allocation in recent years, which has created extra pressure on the market. In the current market situation there is a constant hunt for alternative investments, and property is seen as a safe investment compared with the stock exchange, for example.” ➤

**POSITIVE.** Christel Armstrong Darvik talks about a hot Swedish property market, driven by extremely low interest rates. “In the current market situation there is a constant hunt for alternative investments, and property is seen as a safe investment compared with the stock exchange, for example,” she says.

## LIKES GARDENING

**Name:** Christel Armstrong Darvik.

**Age:** 62 years.

**Lives:** In central Göteborg.

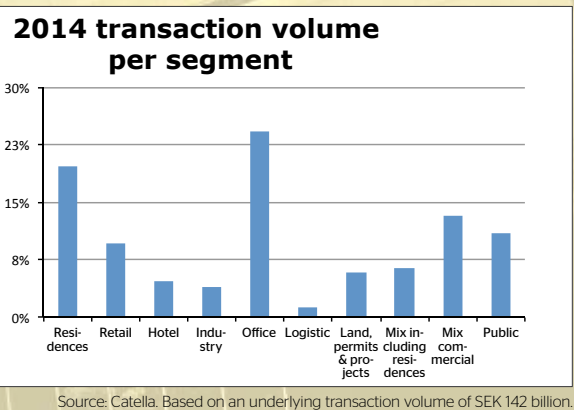
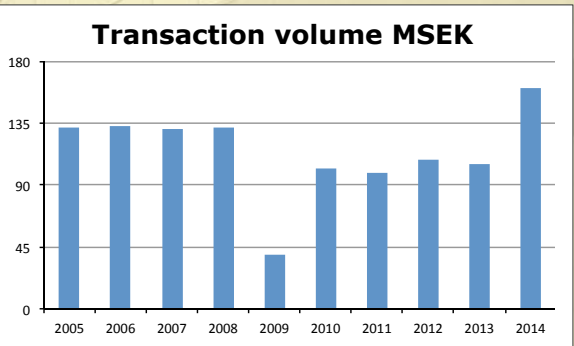
**Family:** Husband and two adult children.

**Background:** Joined Stena Fastigheter in 2006. Had previously worked at Tornet, Nordbanken and NCC, among others.

**Leisure interests:** Sailing, skiing and gardening.



# Real Estate Market



**Official name:** The Kingdom of Sweden.  
**Political system:** Constitutional Monarchy, with parliamentary government.  
**Head of State:** King Carl XVI Gustaf.  
**Language:** Swedish.  
**Population:** 9.5 million (85% live in urban areas).  
**Area:** 450,000 sq.km = 174,000 sq.mi.  
**Time zone:** GMT + 1 hour.  
**Currency:** 1 krona = 100 öre.  
**Largest cities:** Stockholm (capital), Gothenburg, Malmö.  
**Noteworthy memberships:** EU since 1995, WTO, OECD.

**Most important export industries:** Mechanical engineering, automotive, information and communication technology, pulp & paper, power generation, pharmaceuticals, iron and steel, transport services and tourism.

**Most important import goods and services:** Foodstuffs, raw materials and fuels, chemical products, machinery, electrical equipment, information & communication products and services, road motor vehicles, textile products & apparel, tourism.

**Most important export and import markets:** Europe, North America and Asia.

Source: Invest Sweden

➤ **THE SWEDISH RIKSBANK** has gradually cut its most important steering rate, the repo rate, and this is now -0.35 per cent – the historic negative interest rate has further increased interest in property.

“I would say that yields fell by at least 50 points during spring. At the same time as prices are very high just now, there aren’t many who want to sell, quite simply because it is difficult to find objects in which to reinvest the money. Therefore you hang on to what you’ve got – unless you get very, very well paid.”

“Apart from the low interest rate, there are also several underlying factors that favour property – things are going well for Sweden, which means low vacancy rates in all three major city regions, not least in Gothenburg. The low vacancy rate pushes up rental levels. At the same time, the housing shortage is enormous. This leads to a great need for new construction, both on the housing side and the commercial property side.”

Stena is a broad-based company, with properties within various segments and in various countries. Currently, Stena greatest interest is in the construction of leasehold flats in Sweden.

“Before, it was difficult to achieve sufficient profitability from newly constructed leasehold flats, but this has become more interesting as yields have fallen in the other segments. Now, we are expecting to achieve at least one per cent better yields from new construction than from owning existing properties. At the same time, we get properties that are technically good in good locations, which is a security.”

Stena has 8,000 flats in the pipeline, which is the major part of the company’s total project portfolio of SEK 14 billion (EUR 1.5 billion).

The rent-setting system for housing is characteristic for Sweden. Rents are negotiated between property owners and the Swedish Union of Tenants, which means that market rents do not apply.

“But things have been moving in the right direction. Today, at

least the issue of market rents is being discussed. A few years ago, the issue was more-or-less taboo.”

**CHRISTEL ARMSTRONG DARVIK** wants to see a completely changed rent-setting system, gradually moving closer to market rents.

“For new construction, I would say that we are very close to market rents today. A good way of initiating the change has been to set rents free for new construction. It has not caused any great difference, and from this position it is then not a long way to permitting free rent-setting during renovation to new-construction condition.”

“You should of course not intervene and change leases entered into while they are still in force. But I think it would be good if housing leases changed to be more like commercial leases.”

The fact that market rents are being discussed at all today is because of the enormous housing shortage in the major cities. ➤

*»But things have been moving in the right direction. Today, at least the issue of market rents is being discussed.«*





*»Property companies must participate more in the process. Today, detailed plans are drawn up in too much detail.«*

**SHIPPING COMPANY.** The Stena Group is best known for its shipping operation, but also has a large property portfolio. Christel Armstrong Darvik has been MD of Stena Fastigheter since 2006.

➤ “Much more mobility is needed on the housing market. Those who have a centrally located first-hand lease today are doing everything they can to keep it. Market rents would mean that rents increased in those locations, which would lead to greater mobility. In other places, in the countryside, prices would perhaps even fall.”

**SOMETHING ELSE THAT** unfortunately characterises Sweden are long planning processes. It is not unusual to take more than five years to start construction.

“Property companies must participate more in the process. Today, detailed plans are drawn up in too much detail. Instead, they should be more general – the detail can be added at the building permit stage. Also, town planning offices – which often have insufficient resources – should be able to sub-contract part of the work to architects and consultants, while retaining project

management responsibility at the town planning office.”

However, Christel Armstrong Darvik thinks that things are moving in the right direction on the issue of planning processes as well.

“By now, politicians have really realised that the housing market is a problem that needs to be addressed. Even if we haven’t seen any clear changes, I am much more hopeful today than I was two years ago.”

➤ **Sweden got a new government after the election in 2014; has the climate changed since then?**

“On many issues, the new government has continued the road taken by the old government. And they also have much too great a liking for subsidies. They want to give subsidies, while the entire construction and property industry has agreed that subsidies are not what are needed. There are masses of capital waiting to be invested. What is needed is a more efficient planning process.”

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Here are the **20** most read articles at [nordicpropertynews.com](http://nordicpropertynews.com) since 1 April this year. Please visit the site and register for the newsletter, and you will get the latest news about the Nordic property market every Friday – free of charge! **By:** Nicklas Tollesson

## ③ Raises all salaries by 20 percent

 Yesterday marked Roger Akelius' – founder of Akelius Residential Property – 70th birthday. His way of celebrating: All 475 employees at Akelius get a 20 percent salary raise.

Akelius is currently having a large company event for all employees in Berlin.

Last night CEO Pål Ahlsén announced the happy news to the employees: the monthly wages are immediately increased by 20 percent.

"It started with an e-mail from Roger in January. He said he did not want anything for his 70th birthday, he prefers giving rather than receiving. Instead he thought everyone should get a salary raise of 20 percent. At first I did not believe it, it took a few emails back and forth for it to sink in" says Pål Ahlsén to Nordic Property News.

The cost of this raise is approximately MSEK 50 (€5M) annually. "There were big celebrations yesterday when I got to announce this to the staff. Mainly for Roger of course, but it spilled over the messenger as well", Pål Ahlsén laughs.

► I suppose you celebrated after this last night?

"It was a party. But I feel great today", Pål Ahlsén said to Fastighetssverige just after eight on Friday morning.

Comment from Roger Akelius himself: "Talking about appreciation is not enough, you need to show it as well."

Akelius Residential Property owns properties in Sweden, Germany, France, Canada and USA, at a total value of almost SEK 60 billion (€6.5 billion). **2015-04-17**



CEO Pål Ahlsén and the other 475 employees gets their salaries raised by 20 percent.

PICTURE: DAVID SCHMIDT/PIXPROVIDER

## ⑤ Central Group acquires Illum department store in Copenhagen



Central Group acquires Illum in Copenhagen.

PICTURE: ILLUM

 Thai Central Group has acquired the Illum department store in Copenhagen from BlackRock Europe Property Fund III.

The price is undisclosed, but Nordic Property News estimates it to DKK 2,5-3 billion (€330-400M).

Illum is Copenhagen's premium department store, offering everything from fashion and beauty to home décor and design.

The BlackRock fund took ownership of the 44,000 sqm building in 2011 and has since completed a total re-

furbishment and extensive development of the property.

CEO of Central Group, Tos Chirathivat, said: "We are very pleased to take ownership of Illum which is considered landmark property in Copenhagen. The location of this department store is unique and it fits perfectly with our strategy to grow our business in Europe. We will build on the strong brand which Illum has in Denmark and shall continue our refurbishment program and introduction of world class Danish and global luxury brands to the store." **2015-05-22**

## ① Blackstone in the region's largest deal since 2008

 American Blackstone Group has bought Nordic real estate portfolios valued at about € 2.4 billion (MNOK 22 billion) in the region's largest property deal since 2008.

Blackstone Real Estate Partners Europe IV entered into an agreement with 10 funds managed by Norwegian Obligo Investment Management AS to acquire the portfolios in an all-cash deal.

The portfolio of residential and commercial property in Norway, Sweden, Finland, Latvia, Germany and the US includes shopping centers, hotels, and apartments.

"We have had a long-standing ambition to increase our presence in the Nordics," says James Seppala, head of European Acquisitions at Blackstone.

"Following the acquisition of the real estate portfolio



The terminal building in Gullbergsvass, Göteborg, is one of the properties that is part of Blackstone's acquisition.

PICTURE: NICKLAS TOLLESSON

managed by Obligo, we will have a real estate portfolio in the Nordics which fits our investment strategy well."

Blackstone has also bought 34 percent of Agasti's operational business subsidiary, principally made up of Obligo, for MNOK 250 (€ 275). **2015-08-14**

## ⑪ Balder acquires 21 percent of Sato

 Balder, listed on Nasdaq Stockholm, acquires 21 percent of Sato, a Finnish real estate company focused on residential properties.

Sato owns about 25,000 rental homes at a value of €2,500 M. About 80 percent of the residential portfolio is located in Helsinki metropolitan area and the remaining part in developing communities.

"Sato has been a very successful company for a long time and the demand for housing remains very strong in the Finnish growth areas, allowing for the continued development," says Erik Selin, CEO at Balder.

Balder acquires the shares for nearly €180 M. **2015-04-01**



Erik Selin.

PICTURE: NICKLAS TOLLESSON

## ⑦ Sale and leaseback deal worth €652M in Finland and Sweden

 The retail group Kesko, the Finnish Pension Insurance Company Ilmarinen and the Swedish pension insurance company AMF Pensionsförsäkring has created a joint venture that will own, manage and develop store sites primarily used by Kesko Group. The name of the joint venture company is Ankkurikadun Kiinteistöt.

The underlying property value in the deal is €652M. The transaction is the largest sale and leaseback transaction so far in Finland.

Ankkurikadun Kiinteistöt will acquire 34 store sites and two shopping centres in Finland and Sweden from Kesko. It will also acquire one shopping centre from Kruunuvuoren Satama Oy and two store sites from Kesko Pension Fund in Finland.


The deal is AMF's first in Finland. "This acquisition completes our existing property investments in a good way. The orientation towards food and long leases gives stable and predictable rental flows. Strong partners like Ilmarinen and Kesko also ensures a professional and long term cooperation" says Martin Tufvesson, Investment Manager at AMF. **2015-05-14**




Martin Tufvesson.

PICTURE: AMF

### ⑱ TK DEVELOPMENT SHIFTS FOCUS

 The Danish property development company TK Development has focused and specialised in development of large shopping centres but are now going to focus more on resident development, mainly in Copenhagen and Warsaw. **2015-04-01**

### ⑮ REDITO PURCHASES RETAIL PROPERTIES IN FINLAND

 Finland Redito/Trophii purchases five retail properties from Ilmarinen in Finland.

The properties are located in the largest Finnish cities and they are leased to Kesko and HOK-Elanto.

The parties agreed not to go public with the purchase price, but Nordic Property News has assessed it to approximately €65M.

"We are going to continue growing both in Sweden and Finland. And we will continue our active portfolio work" says Jan Björk, CEO at Redito. **2015-04-16**




Jan Björk.

PICTURE: REDITO

### ⑰ CAPMAN ACQUIRES VACANT OFFICE IN STOCKHOLM

 CapMan Nordic Real Estate fund has acquired the office building Kabelverket 6 located in Älvsjö, Southern Stockholm, from Valad. CapMan will convert the 7,930 sqm building to a school and has already signed a leasing agreement for the entire property with Internationella Engelska Skolan (IES), the largest independent free school in Sweden. **2015-08-20**

### ⑭ MENGUS SELLS FOR €130M IN STOCKHOLM

 Sweden Private Equity firm Mengus' first fund (Mengus 2005) sells the office property Solna Gate in Stockholm. The property encompasses approximately 35,000 sqm leasable area and is sold to Klövern at a underlying value of approximately SEK 1.2 billion (€130M).

"We are very pleased to have completed our goal regarding development and leasing. Solna Gate was the largest and final holding in Mengus 2005 and it is gratifying to sum up a very positive result for the fund as a whole" says Per Niklasson, Senior Partner at Mengus. **2015-04-29**



Mengus sells Solna Gate to Klövern at a value of SEK 1,2 billion (€130M).

PICTURE: MENGUS



NORDIC NEWS

13 STRONG NORDIC TRANSACTION MARKET IN JULY

July was another month of high transaction activity in the Nordics with 49 deals and a total volume of € 4.6 billion, according to Pangea Monthly Update. The volume was partly driven by Blackstone's sizeable acquisition of several Obligo IM fund structures with properties in all Nordic countries. **2015-08-14**

18 NREP OPENS OFFICE IN OSLO

NREP has announced the opening of an office in Oslo. The office will be led by Jens Petter Hagen, who joins NREP from the private equity firm Advent International.

Jens Petter Hagen has previously spent nine years working in London for the global private equity firm Advent International, the last five years of which he spent focusing on the Nordic market. In addition he brings experience from investment banking in London and New York. Mr. Hagen will build a local team of investment professionals covering Norway with the initial support of NREP's teams in Sweden, Denmark and Finland. **2015-08-24**

6 NORWEGIANS MAKE LARGE PURCHASE IN FINLAND

Norwegian company NRP (Ness Risan & Partners) has completed a purchase of four properties and a development site to be completed in 2016 from Posti in Finland. Total price is approx. €120M.

The properties are three distribution centers and a warehouse, all situated in large cities in Finland. The fourth property is a terminal to be completed in 2016. Total price is approx €120M.

Helaba acted as Arranger and Sole Lender of around €79M to NRP in the acquisition. **2015-04-29**

4 New high rise in Gothenburg



PICTURE: HENNING LARSEN ARCHITECTS

Henning Larsen has won the design competition for Skanska's new landmark in Gøteborg.

Danish Henning Larsen Architects has won the international design competition for Skanska's remarkable new high-rise landmark in Gothenburg, Sweden's second-largest city.

The project includes an open and inviting ground floor of mixed-use functions and two commercial towers. The remarkable architectonic expression of the towers will create an iconic new landmark in Gårda, Gothenburg. With a programme of 40,000

sqm, the taller tower is expected to rise up to 30 storeys, and will thus form a prominent part of the city's changing skyline.

Skanska Fastigheter Göteborg is behind the dialogue-based competition. Three firms were invited to participate: Henning Larsen Architects, White Arkitekter and Reflex Arkitekter.

Henning Larsen Architects' winning design proposal will now form the basis for further planning and development. Construction has not yet been scheduled. **2015-04-30**

8 NREP SECURES THE EXIT OF THE LARGEST NORDIC PRIME LOGISTICS PORTFOLIO TO DATE

NREP has sold the largest portfolio of modern prime logistics properties in the Nordics to a consortium of four Danish pension funds.

The combined transaction value amounts to approximately €650M.

The portfolio consists of 28 modern efficient logistics properties located in key distribution hubs across Sweden, Finland and Denmark with almost 650,000 sqm, of which a large part has been developed by NREP over the past six years. NREP will continue to manage the portfolio of properties.

"We are very proud of having secured such a strong exit for our investors and believe, this is another validation of NREP's

ability to identify and execute long term value add strategies within focused segments" says Rickard S. Dahlberg, Co-CIO and Partner at NREP.

The purchaser is a vehicle capitalised by the Medical Doctors' Pension Fund together with the Danish Pension Fund for Engineers (DIP) and the pension fund for Danish lawyers and economists (JØP). PFA Pension, the largest private pension fund in Denmark and a current investor in NREP Logistics Fund, will re-invest part of its proceeds in the new vehicle. **2015-05-21**



PICTURE: NICKLAS TOLLESSON

Rickard S. Dahlberg.

2 Lennart Sten behind large retail property venture



PICTURE: NICKLAS TOLLESSON

Lennart Sten.

A new Swedish real estate company, founded by amongst others Lennart Sten, former Europe Manager at GE Capital Real Estate, purchases 44 retail properties from Areim.

The company, Svenska Handelsfastigheter, has the ambition to through long term pension capital and retail companies, create a long term and customer oriented real estate company focusing on retail properties.

Lennart Sten, Thomas Holm and Johan Röhss founded Svenska Handelsfastigheter. Lennart Sten and Thomas Holm both have many years

of experience in the real estate industry, mainly from GE Capital Real Estate, and they will lead the business.

Johan Röhss, co-owner and director, has extensive experience from retail, among others from Ica and the investment business at Investor.

The properties in the deal are located between Ystad and Boden. The tenants are leading food chains like Ica, Bergendahlsgruppen, Axfood and Coop and other volume retail investors. The total leasable area is approximately 180,000 sqm of which 97 percent is retail area. **2015-07-10**

9 Large shopping center deal in Norway

Schage Eiendom acquires the Norwegian shopping center company Salto Eiendom. The gross asset value is €550 M (NOK 5 billion).

A possible sale of Salto was announced in January this year. Several attractive offers were received, but the main shareholder, Schage Eiendom, decided at a late stage of the process to bid for all outstanding shares.

"During this process, we have become increasingly attracted

by the company and we see great opportunities for the future. Salto is one of the most promising property companies in Norway and there is significant potential for value creation, particularly related to the expansion plans. Schage has the resources and ability, and will not pass on this opportunity, although our conclusion differs from our thoughts when we initiated the sales process", says Egil Svoren, CEO of Schage Eiendom. **2015-08-19**

10 Atrium Ljungberg sells four retail properties

Atrium Ljungberg has concluded an agreement to divest four properties in Sweden for SEK 1.3 billion (€136 M). Atrium Ljungberg divests properties in Västerås, Östersund, Sollentuna and Nacka. The four properties cover a total of 63,300 sqm lettable area with some hundred stores and restaurants.

Purchaser is a real estate investment company together with a local partner.

"The sale is taking place as a part of our work on concentrating the property portfolio to our prioritised markets in Stockholm, Uppsala, Malmö and Gothenburg. Through the sale we are releasing capital and resources for the continued development of our project portfolio and also for strategic acquisitions in these locations," comments Atrium Ljungberg's CEO Ingaliil Berglund. **2015-08-14**



PICTURE: ATRIUM LJUNGBERG

Ingaliil Berglund.

20 LARGE DEAL IN DENMARK

Denmark Novo A/S and Tryghedsgruppen become major investors in Dades, one of Denmark's largest privately owned real estate companies. The deal is worth approx. €1.08 billion. Novo A/S and Tryghedsgruppen acquire a combined total of 49.2 percent of the company's share capital. After the completion of the transaction, Aase og Ejnar Danielsens Fond will remain the largest shareholder with 47.3 percent. **2015-07-03**

16 NORWEGIAN OIL FUND IN LARGE US INVESTMENT

The Norwegian Oil Fund has signed an agreement to acquire a 45 percent interest in a 60 million square feet industrial portfolio with additional development potential in a joint venture with Prologis. The total volume of the deal is €2.15 billion. The vendor is KTR Capital Partners.

The portfolio consists of 322 operating properties located across 17 US states. **2015-04-21**

12 CITYCON DIVESTS A NON-CORE PORTFOLIO IN FINLAND FOR € 76 M

Citycon has entered into an agreement to sell a 60,000 sqm portfolio of 13 grocery store properties located across Finland to a Finnish property fund for a total value of approximately €76 M.

The sales price is slightly below the IFRS fair value for the properties.

"These divestments are part of Citycon's strategy to recycle capital and focus on mid-to-large sized urban, grocery-anchored shopping centres in the Nordics and Baltics" says Nils Styf, Chief Investment Officer at Citycon. **2015-08-14**



PICTURE: CITYCON

Nils Styf.

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■ Here are the ten largest deals on the Swedish property market between January and July. The data has been produced by Newsec.

**By:** Nicklas Tolleson

# Largest deals of the year

**Top 10** // January-July 2015

## 1 Blackstone's return to the market

By far the biggest deal of this year was communicated in July. The American company Blackstone acquired a large portfolio from Obligo. The total property value amounted to around SEK 23 billion, of which SEK 9.5 billion related to property in Sweden. With Blackstone's return to the Swedish market, the percentage of foreign investors has also increased this year compared to 2014. Blackstone has long been seeking suitable portfolios to acquire in order to reinforce its position in the Nordic countries. The properties are mainly located in Stockholm, Gothenburg and Oslo.



PICTURE: NICKLAS TOLLESSON

## 2. Four Danish pension funds bought from NREP

NREP was responsible for the biggest deal to date this year involving logistics properties and the second biggest in total when they sold properties in May for SEK 6 billion in Sweden, Finland and Denmark. The value of the Swedish properties amounted to around SEK 4.4 billion. The buyer was a consortium consisting of four Danish pension funds: Laegernes Pensionskasse, DIP (engineers), JØP (lawyers and economists) and PFA Pension. The portfolio consisted of 28 properties in total, with an overall lettable area of 650,000 square metres. The properties were part of NREP's logistics fund and three properties in Sweden from the C1 fund.

## 3. Grosvenor bought Skärholmen Centre

In January, Grosvenor Fund Management announced that they had added to the Retail Centers V fund by acquiring Skärholmen Centre. The property value of the deal amounted to around SEK 3.5 billion. The seller was Centeni (formerly Boulbee), which is owned by The Royal Bank of Scotland (RBS). The property covers a lettable area of around 98,000 square metres and includes several strong anchor tenants, such as H&M, Systembolaget, Ica and Åhléns.

## 4. New company bought retail

In July, Areim and Möller & Partners sold a portfolio consisting of 44 retail properties. The total lettable area amounted to around 180,000 square metres, and the largest tenants are Bergendahlsgruppen, Ica, Axfood and Coop. The

purchaser was Svenska Handelsfastigheter. The property value amounted to SEK 2.7 billion. The properties are located between Ystad and Boden, with emphasis on Luleå, Gävle, Södertälje, Katrineholm, Kungälv and Kristianstad.

## 5. Alecta into airport property

In June, Swedish Airport Infrastructure acquired 20 airport properties from Swedavia. The buyer is a joint venture company, owned in equal parts by Alecta and Swedavia. The properties, which are located in Stockholm, Göteborg and Malmö, consist mainly of hangar buildings, freight terminals and offices. The total lettable area amounts to 260,000 square metres. Alecta's half share of the acquisition amounts to just under SEK 2 billion.

## 6. Castellum bought from Heimstaden

In April, Heimstaden sold 23 properties to Castellum. The properties are located in Norrköping and Linköping and include offices, industrial premises, social premises and housing. The underlying property value amounted to around SEK 2 billion.

## 7. Rikshem bought from Luleå Municipality

In July, Rikshem acquired just under 1,500 flats and just over 200 care flats from Luleå's municipal housing company Lulebo AB. The overall lettable area of the properties amounts to around 163,000 square metres, and the purchase price was just over SEK 1.6 billion. With this purchase, Rikshem is establishing itself in northern Sweden.

The deal is the largest housing deal ever in Luleå. Rikshem is also undertaking to construct a further 560 flats in Luleå over the next seven years.

## 8. TH Real Estate bought in Lund

In April, Unibail-Rodamco sold the shopping centre Nova Lund to TIAA Henderson Real Estate. The shopping centre covers around 26,000 square metres of retail premises. The property value amounted to SEK 1.635 billion.

## 9. Catena is refining towards logistics

In May, Fabège bought the properties Frösunda 2 and Hagalund 2:2 in Solna from Catena. With this, Fabège increased its building rights portfolio. The properties have a land area of around 51,000 square meters, and according to the new detailed plan, covers around 225,000 square metres of building rights, of which 90,000 square metres for housing and the remainder for commercial use. The property is currently built with a workshop and car sales plant, which is leased by Bilia. The property value of the deal amounted to SEK 1.45 billion.

## 10. Atrium Ljungberg sold four shopping centres

In July, Atrium Ljungberg sold the properties Igor 8 (the Igor block in Västerås), Månadsmötet 9 (Mittpunkten in Östersund), Rotundan 1 (Rotebro Handel in Sollentuna) and Orminge 47:1 (Orminge Centrum in Nacka). In total, the properties cover around 63,000 square metres of lettable area and the property value amounted to around SEK 1.3 billion. The buyer of the properties is a local actor together with a property investment company.

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# From DJ to property MD

He worked as a DJ for several years before gaining a double degree in economics and business studies as a 25-year-old. Now he is steering Akelius' SEK 65 billion ship in six countries. Meet Pål Ahlsén, a *generous and helpful* person, who dreams of making documentaries or writing a book.

By: Eddie Ekberg // Picture: David Schmidt/Pixprovider

Pål Ahlsén grew up in Stockholm, but the family moved to Oskarshamn in Småland when he was 13. As a 15-year-old, his life was about one thing only – music. He started travelling around Småland as a DJ, and when he didn't do that, it was downhill skiing that mattered.

The travelling hasn't exactly diminished for Pål Ahlsén now either; as MD of Akelius, with operations in six countries, he travels an incredible number of miles each year, apparent not least when the undersigned tried to book an interview. After proposals to meet in Paris, London and Berlin, we finally found a time in Stockholm that suited, and Fastighetssverige got to meet a noticeably relaxed and pleasant Pål Ahlsén at his favourite café in Stockholm, just round the corner from his home.

► Describe your route into the property sector!

» I'm planning to stay for a long time.«

"I applied for 113 jobs after university, and attended five interviews. It was tough getting a job, at least for me. The last interview was for temporary employment for four months at Akelius. The aim of the job was to sell a bond in Akelius over the telephone and in meetings. I liked the company straight away; lots of responsibility, no hierarchy, great tempo and good atmosphere. When my short-term contract ended I was lucky; a position in the transaction department became vacant. In January 2005 I became a permanent employee. During autumn 2005, I was sent down to Berlin for four weeks of research. This was then extended to six months,

and in the end I stayed there for five years. During these years, we built up an office, employed 50 persons, bought for SEK 8 billion. It was intense, and we learnt a lot. This knowledge has been beneficial when we have been establishing ourselves in new countries."

► Akelius owns property in Sweden, Germany, the United Kingdom, France, Canada and the USA. Which country will it be next?

"We have looked at every country in Europe, and also several other countries around the world. The countries we have chosen are good; population growth, political stability and legal security. Here in the Nordic countries, Copenhagen might be interesting, it's not impossible that we establish ourselves there."

► You own property worth almost SEK 65 billion now – how big will you get?

"We are trying to grow a bit more, but it's not just a question of buying. The difficult thing is to ►

**TRAVELS A LOT.** Akelius has properties in six countries, which means quite a lot of travel for the company's MD Pål Ahlsén. He averages 120 days of travel per year, which means every other working day.

## DOUBLE DEGREE

**Name:** Pål Ahlsén.

**Age:** 43 years.

**Family:** Wife and one daughter.

**Earns:** Around SEK 190,000 per month.

**Grew up:** Oskarshamn.

**Lives:** Stockholm.

**Car:** Volvo V70.

**Studied:** Degree in both Economics and Business Studies.

**Reading:** Lots, biographies and non-fiction.

**TV viewing:** Documentaries and the odd series.



**TURNING WELL.**

Pål Ahlsén is a good DJ and came fourth in the Swedish DJ Championships. Two of his absolute favourite possessions are the turntables Technics SL 1200 MKII.

» Everybody's salary was increased by 20 per cent across the board. There were standing ovations that never wanted to end, a fantastic atmosphere.«

► have time to employ, to train, to carry out serious evaluations and to operate a good customer service.”

► **What is the most exciting thing happening at Akelius this autumn?**

“Well, we have several exciting things on the go. But I could perhaps disclose that we will be buying in Boston and Washington, and we will be buying more in New York. These are deals worth SEK 500–1,000 million.”

► **How many days travelling do you do each year?**

“Around 120, so about half my time. This last year, there has been a lot to the USA because we have been establishing ourselves there.”

► **Last year, the transaction record was broken in Sweden – what will 2015 be like, do you think?**

“Everything indicates that there will be a new transaction record in 2015.”

► **The toughest challenge in your professional life?**

“It was when the hotel Cape East in Haparanda burnt down in 2012. It was the middle of the summer, and I had to go up there and tell 50 employees that unfortunately we couldn't keep them on. The atmosphere was dreadful. But we spoke to everybody and stayed on site. I'll always remember that.”

► **And the best moment?**

“Well, that was this spring when Roger gathered everybody in the company together in Potsdam in conjunction with his 70th birthday. Fredrik Lindgren and I were given the task of telling everybody that their salary would increase by 20 per cent across the board. There were standing ovations that never wanted to end, a fantastic atmosphere.”

► **How much do you work?**

“If you ask my wife, I work 80 hours a week. But it's probably more like 60.”

► **What will you do when you leave the property business?**

“If I leave. I plan to stay for a long time.” ■

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LIKES THE FIRMDALE HOTELS

**Name:** Hans Åke Petersson.  
**Age:** 62 years.  
**Lives:** Fjärås, just outside Göteborg.  
**Family:** Wife and two children.  
**Background:** Started the former Hå P Konsult in 1992. Had previously held leading positions within the hotel and retail sectors.  
**Leisure interests:** "We live on an old farm from the 19th century, so there is quite a lot of carpentry and work to do."  
**Favourite hotels world-wide:** "I really like the Firmdale hotels in London and New York. They have a wonderful atmosphere and a good mixture of culture and design."  
**Favourite hotel in Sweden:** "I don't want to say."

THE SWEDISH HOTEL MARKET, MARCH 2015

**Hotels:** 2,037.  
**Available rooms:** 119,172.  
**Available beds:** 240,036.  
**Largest hotel:** Gothia Towers, 1,200 rooms (Göteborg).

# “Knowledge about hotel properties has increased”

■ The interest in hotel properties in Sweden has increased and broadened in recent times – the yields have fallen and new actors have become interested in the segment. Hans Åke Petersson, MD of the consultancy company Annordia, which specialises in hotels, gives his views of the trends on the market. *By:* Nicklas Tollesson

HANS ÅKE PETERSSON’S first explanation for the increased interest in hotel properties is the simple fact that people are staying in hotels more and more.

“We are travelling like never before, and instead of buying things we take a weekend trip and book in an experience. We indulge in travel in a different way nowadays. This applies both to Sweden and the rest of the world. There is quite simply a great demand for hotels, a good vibe on the market.”

Hans Åke Petersson started Annordia under the name Hå P Konsult in the early 1990s. In 2013, the company changed its name to Annordia in conjunction with the company growing and working more internationally. The company is a financial and strategic adviser on the hotel property market, and works with everything from establishment studies and valuations to property transactions and operator recruitment. The customers are municipalities, project developers, property companies and banks, for example.

The yields on hotel properties have fallen and are, in some locations, on a par with office yields.

“Previously, the attitude of many was that ‘hotels are so tricky’, but knowledge has increased in recent years. An advantage of hotels is the long leases; standard leases run for 15 years, but leases running for 20 or 25 years are also taken out. Another difference compared to offices is that the responsibility lists are usually different – a greater part of the liability rests with the operator. At the same time, turnover rent is usually used – with a basic rent as the foundation – which means there are good incentives for the property owner to be active and collaborate so that the operator is as successful as possible,” says Hans Åke Petersson.

Pandox is by far the largest hotel property owner in Sweden, and the company’s listing (see separate article) gives extra attention to the market.

“Pandox’s listing is positive, and means that interest may increase further. I also hope that Scandic will soon continue with their listing plans. Stock market listings lead to increased media cover and

therefore to increased interest in general.” The fact that Erik Selin and his company Balder has bought a large number of hotel properties in recent years is also something that creates rings on the water.

ALL THE LARGE hotel property owners in Sweden are Swedish or Norwegian. Hans Åke Petersson considers that the interest from other international investors is small. On the other hand, there is international interest on the operator side, which is also dominated by Swedish and Norwegian actors.

“When we looked for an operator for AMF Fastigheter in Gallerian in Stockholm, we sent out prospectuses to 125 operators around the world, and we received 60 positive offers. In the end, Nordic Choice became the operator, but the process showed at least that there is great international interest, primarily from Western Europe and the USA.”

A threshold that may be difficult to pass for international opera- ➤

Hotel markets indicators, 2014

Municipality	Hotels	Rooms sold Vv %	Adr. SEK	Occ %	REVPAR/SEK
Stockholm	150	3.8	1,126	68.4	770
Gothenburg	64	7.0	926	65.6	608
Malmö	31	5.4	799	64.6	515
Uppsala	24	9.7	760	56.0	426
Linköping	18	3.7	845	58.2	492
Västerås	18	4.5	778	53.7	418
Orebro	16	-2.0	842	59.2	499
Helsingborg	18	4.4	840	65.1	547
Norrköping	23	7.5	1,003	49.2	493
Jönköping	26	2.7	855	53.8	460

Source: Annordia/ Statistics Sweden



› tors is the Swedish leases – internationally, management agreements are usually used: With these, the operator runs the hotel on behalf of the property owner in exchange for various fees.

“We do not recommend the use of management agreements in Sweden, as too great a risk rests with the property owner.”

In AMF’s project in Gallerian, 20 of the 60 offers wanted to use international management agreements.

“They were discarded straight away.” But there were after all 40 who wanted to use traditional Swedish leases, which means that many international operators would consider adapting to the Swedish system.

OVER THE NEXT FEW YEARS, quite a few new hotels will open, not least in Stockholm (see fact box). Hans Åke Petersson is not worried about over-establishment.

“In 1980, Stockholm had 6,000 hotel rooms. Now we have 20,000, of which about half have been added since the new millennium. By 2017, a further 2,000 hotel rooms will have been created, but we have such good growth in the hotel industry that even more hotel rooms will be needed in coming years.”

Despite all the new rooms that have been added in Stockholm over the last decade, room occupancy has remained relatively constant, around 66–69 per cent. RevPAR (revenue per available room) has also been fairly constant; in 2014 it was SEK 770 per room per night.

Space efficiency and niched hotels are, according to Hans Åke Petersson, two current hotel trends.

“The traditional ‘full service’ hotel, with rooms, restaurants and meeting rooms, are still the dominant concept, and around 65–70 per cent of hotels look like that. The rooms are 20–22 square metres and, if you divide the entire hotel area by the number of rooms, you have 40–45 square metres per room. In many new hotels, we are seeing considerably smaller rooms, 10–16 square metres. Instead of lavish restaurants and large meeting rooms, there are bigger ‘lounges’, where people can meet or work on their laptops or smartphones. The total area per room in these hotels in



**EXPERIENCE TREND.** Hans Åke Petersson at Annordia sees a clear trend for experiences within the hotel business. An example is Dorsia in Göteborg, where this photo is taken. “An increasing number of hotels are really more than just a bed. People want experiences today, and staying at certain exceptional hotels is an experience in itself,” says Hans Åke Petersson.

8 largest hotel brands in Sweden – by numbers of rooms

Brand	Group	Hotels	Rooms	Description
1. Scandic	Scandic Hotels	82	16,300	Founded in 1963, the hotels can now be found in seven countries, such as Germany, Poland and Belgium. The majority of Scandic’s hotels are positioned within the midscale and full-service segments.
2. Best Western	Best Western International	71	5,814	The Best Western brand is owned by Best Western International, with headquarters in the US. Each hotel is independently managed and owned.
3. Quality Hotel	Nordic Choice Hotels	26	4,660	Quality Hotel is positioned within the midscale segment and oriented towards meetings and events.
4. Clarion Hotel	Nordic Choice Hotels	14	4,252	Full service hotels positioned within the upscale segment. Typically located in city centres in large and mid-sized Swedish cities.
5. First Hotels	Den Flyvende Elefant	33	3,913	First Hotels is a brand owned by the Norwegian hotel group Den Flyvende Elefant AS. The hotels are positioned within the midscale segment, with some exceptions.
6. Elite Hotels	Elite Hotels of Sweden	27	3,840	Elite Hotels is an upscale brand, typically in a classic style, housed in restored buildings in city centre locations.
7. Radisson Blu	Carlson Rezidor Hotel Group	10	2,845	The global brand Radisson Blu can be found in Sweden’s three largest city regions, Uppsala and Stockholm Arlanda Airport. The hotels are primarily positioned within the upper upscale segment.
8. Clarion Collection	Nordic Choice Hotels	23	2,224	Clarion Collection consists of small limited-service hotels, often inspired by the property’s history and location.

Source: Annordia, April 2015

more like 20–35 square metres. We are also seeing hotels that tend even further in this direction and economise with the ‘lounges’ too, making them really space-effective and therefore cost-effective.”

On the other hand, the opposite is also a trend:

“We are seeing an increasing number of hotels that really are more than just a bed. People want experiences today, and staying at certain exceptional hotels is an experience in itself. Dorsia in Gothenburg is one example, Stora Hotellet in Umeå is another. We are also seeing hotels in conjunction with experiences – spa hotels, golf hotels and destination hotels, such as the ice hotel in Jukkasjärvi.”

› What is the most important thing for success as a hotel property owner?

“It is incredibly important to find the right operator; to have the right concept for the location in question. As property owner, you are in the same boat as the operator, and it is incredibly important that you trust the operator.”

› If we look ten years ahead, what do you think the Swedish hotel market will look like?

“Diversity will have increased. The classic full service hotels will not be as large a part of the market as today. Various extremes, space-effective or experience-rich hotels will play a greater role. I think that there will be more international operators on the Swedish market. And perhaps some kind of hybrid version will have been worked out between the international management agreements and the traditional Swedish leases.”



8 largest hotel operators in Sweden – by numbers of rooms

Group	Hotels	Rooms	Description
1. Scandic Hotels	83	16,574	Scandic mainly operates hotels under the Scandic brand, but has recently launched a new brand, HTL, which offers space-efficient rooms in highly central locations.
2. Nordic Choice Hotels	55	11,229	The group operates hotels under five brands in Sweden (Comfort Hotel, Quality Hotel, Quality Resort, Clarion Hotel, Clarion Collection), along with six unbranded hotels.
3. Elite Hotels of Sweden	31	3,968	In addition to its main Elite Hotel brand, the group also operates four hotels under the Bishops Arms brand.
4. Ligula Hospitality Group	29	3,359	Ligula Hospitality Group is a Swedish multi-brand company, which operates brands owned by chains such as Accor Hotels and Carlson Rezidor Hotel Group, as well as their own Profil Hotels and Motel L.
5. Den Flyvende Elefant	19	2,596	Den Flyvende Elefant AS is a Norwegian hotel group that operates its Swedish hotels via two affiliated companies: Flying Elephant AS and Tribe Hotel Management AS. Each hotel is operated under the First Hotel brand.
6. Carlson Rezidor Hotel Group	7	2,202	The group operates seven hotels in Sweden, all under the Radisson Blu brand. The other Carlson Rezidor branded hotels are run by other companies through franchise agreements.
7. Winn Hotel Group	12	1,703	Winn Hotel Group is a multi-brand operator. The majority of its portfolio is managed through brands such as Park Inn by Radisson, Radisson Blu, Clarion Hotel and Clarion Collection.
8. Pite Havsbad Group	8	1,226	Pite Havsbad is a multi-brand company, with the majority of its portfolio located in the north of Sweden. It operates through brands such as Comfort Hotel, Quality Hotel and Best Western.

Source: Annordia, April 2015





**OPERATES HOTELS.** Over the last few years, Erik Selin's Balder has emerged as Sweden's second largest hotel property owner. Since a couple of months back, the company is operating two hotels by itself.

■ Balder has been the purchaser in several major hotel deals in recent times. “I’ve always liked hotels – the fact that there have been a number of major deals recently is just a coincidence. Unfortunately, more and more people are becoming interested in hotel properties,” says Erik Selin, MD. *By:* Nicklas Tollesson

# Major buyer of hotels

WITH 30 HOTEL PROPERTIES and almost 5,000 rooms, listed company Balder is the second largest hotel actor on the Swedish property market, after Pandox.

The majority of the hotels have been bought by Balder since last year, and 14 of them in the major deal with Pandox in April 2014.

“I’ve been collecting hotels for 20 years, but perhaps people haven’t thought too much about it. Then, just by chance, there have been several deals almost at once in recent years,” says Erik Selin, MD and main owner of Balder.

His general attitude is that hotels are neither better nor worse than any other type of property, apart from them being, as he says, “a very pleasant business”.

► Many property companies hesitate to buy hotels. Why do you think that is so?

“No idea. I see hotels as any other property, they’re the same type of deals. Even if there’s a single tenant and agreements that aren’t the same as those for office tenants, for example, fundamentally you calculate the deal in the same way – you receive a certain sum of money, have certain expenses and then you need a sufficiently large amount left over.”

“What I could imagine is that there are old fears left over from the crisis in the early 1990s, when the state-owned Sara’s hotel section (formerly part of Procordia) went bankrupt. So many people lost lots of money on hotels.”

“But we are seeing much more competition for objects than before. Of course, it’s nothing like the office side, but more and more people are becoming interested in hotels. Which is a shame; I’d rather see prices lower, so that we could buy more cheaply.”

► The agreement terms can vary, with differing proportions of turnover rent. What do you prefer?

“It’s not important. Some actors want fixed rent, others just ►

## The largest hotel property owners in Sweden

Company	Hotels	Rooms	Description
1. Pandox	52	9,864	Pandox is an important player in the European hotel market. The company operates in three business areas: hotel properties, hotel operations and asset management.
2. Balder	30	4,847	Balder is a Gothenburg-based property owner that has expanded rapidly in the hotel property market during recent years through several large transactions.
3. SSRS Holding	15	1,948	SSRS Holding is part of Elite Hotels of Sweden. Each property is leased to an affiliated company and operates under the Elite Hotel brand.
4. Home Properties	7	1,673	Home Properties' ownership is focused on hotel properties. The company is part of Nordic Choice Hotels.
5. AFA Sjukförsäkringsaktiebolag	8	1,476	AFA Sjukförsäkringsaktiebolag mainly owns properties in the municipalities of Stockholm, Malmö, Solna and Gothenburg.
6. Host Hoteleendom	11	1,428	Host Hoteleendom is a subsidiary of Den Flyvende Elefant AS. Each hotel is operated under the First Hotel brand.

Source: Annordia, April 2015



»I see hotels as any other property, they’re the same type of deals.«

» want turnover rent. Pure turnover rent is generally difficult from a financing point-of-view, but otherwise we adapt the deal based on what the customer wants. Both methods have advantages.”

The major actors within hotel properties have traditionally had a link to the operator, and, since a few months back, Balder has also been operating two hotels by itself; the Marriott hotels in Stockholm and Malmö.

“In the first instance, it’s a way of really getting close to the market. Every morning, I get emails with the previous day’s results for both hotels. There I can see exactly how things have gone, how they’re doing in relation to the budget, compared with last year, and so on. Given that we manage our hotels as well or as badly as others, this gives a good snapshot of the market, we see how trends are moving, it can be valuable.”

“It’s also a security having the skills within the company. If a hotel tenant goes bankrupt, we know that one alternative is to operate the hotel ourselves.”

» Do you involve yourself in the hotel operation if you aren’t satisfied with the figures?

“No, I know far too little about it.”

**GOTHENBURG.** Radisson Blu in Gothenburg is one of several hotel acquisitions made by Balder in recent times.



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Major hotel property transactions in Sweden since 2014

Property	Municipality	Date	Seller	Buyer	Price	SEK/M2
1. Portfolio, 14 hotels	Several	04/2014	Pandox	Balder	MSEK 2,200	17,920
2. Arlanda 2:11, Clarion Hotel Arlanda	Sigtuna	06/2014	Swedavia Real Estate	SPP Fastigheter	MSEK 1,100	50,176
3. Portfolio, 14 hotels	Several	09/2014	Home Properties	Landsorganisationen Sverige (LO)	MSEK 1,000	18,709
4. Inom Vallgraven 1:13, Radisson Blu Scandinavia Hotel	Gothenburg	12/2014	DNB Scandinavian Property Fund	Balder	MSEK 700	26,261
5. Snöflingan 3, Courtyard Marriott	Stockholm	02/2015	Invesco Real Estate	Balder	MSEK 670	30,455
6. Heden 24:11, Scandic Opalen	Gothenburg	03/2014	Epifyt	Balder	MSEK 550	29,730
7. Lorens 14, First Hotel Plaza Västerås	Västerås	04/2015	NRF Sweden Holding	Kungsleden	MSEK 465	17,878

Source: Annordia, April 2015

About NREP

NREP is a leading Nordic private equity real estate firm. NREP was established in 2005 and has since inception raised 8 funds and executed over 170 property acquisitions and developments in the Nordic region, of which 77 have been exited. NREP currently has total assets under management of €2.2 billion, employs more than 50 professionals across four offices in Copenhagen, Stockholm, Helsinki and Oslo and is fully owned by its partners.





# The market for hotel properties

■ Åsa Henninge, Chief Analyst at NAI Svefa, gives her views on the Swedish hotel property market.

**THE HOTEL PROPERTY** market is red-hot, or as someone expressed it: "In Stockholm, investors in hotel properties can, in principle, shoot with a scatter gun and still hit the target; it will be a good investment irrespective of what you buy". For the right type of object or property development object, the hotel property segment is attractive on several subsidiary markets. What drives demand, and what is required to succeed with an investment in the hotel segment in the slightly longer term?

The volume of hotel properties turned over has increased considerably, from having been a forgotten investment segment for a period to a turnover percentage of just under five per cent in 2014, representing around SEK 8 billion. Interest in investing in the segment is broad-based, with a large proportion of institutional capital.

**DURING 2014, THREE** separate deals worth more than SEK 1 billion were made, of which the largest was Pandox's sale of a portfolio

consisting of 14 hotels with a total of 2,400 hotel rooms to Balder. Other purchasers last year were Afa, Alecta, SPP and LO, together with Östersjöstiftelsen.

What drives demand and the investment interest on the hotel property market? One explanation may be that direct return requirements are today in principle on a level with those from an office property in a corresponding location, at the same time as hotels normally provide a higher degree of operational surplus, as a major part of the property ownership liability rests on the tenant. At the same time, leases are usually longer, and the tenancy risk is therefore relatively low. With a successful hotel operator, there is often also a potential turnover rent for the property owner.

**THE DRIVING FORCES** to invest in hotels are, however, a lot more about the underlying demand and the development on the hotel market. Over the last ten years, the hotel and restaurant sector has grown strongly in Sweden. Turnover within the hotel sector (hotel index) has risen by 64 per cent over the period, compared to a growth in GDP of 39 per cent over the same period. Turnover has grown by around five per cent annually, and the forecast is for continuing growth. One of the reasons for the increases within the hotel sector is the increased tourism in Sweden. Between 2010 and 2013, tourism in Sweden increased by around 15 per cent, measured as aggregated consumption. The number of international visitors is growing and this segment represented 40 per cent of the total number of guest nights in Stockholm in 2014. In total, private visitors are responsible for a large part of the growth.

Is the growth of the hotel and restaurant market a result of new lifestyles and changed patterns of private consumption? For

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*»One of the reasons for the increases within the hotel sector is the increased tourism in Sweden.«*

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the younger generation of consumers, it is "Saturday the whole week".

Compared to just a few years ago, hotel nights and restaurant visits are consumed also on weekdays. People go out to eat, whatever the day of the week, and take time out from their everyday lives and spend the night in a hotel, even in their own home town. Hotels and their lounge environments are on the way to becoming "the third room", which indicates an ever increasing private consumption of hotel nights as well as the bar, café and restaurant or themed environment the hotels offer. The hotel operator therefore is, and remains, considerably more important for success than the location is for the traditional commercial property segments.

**THE HOTEL PROPERTY MARKET** is divided into two, where modern hotel properties and property development projects for hotels are far more attractive than investments in older hotel properties. The trend is towards smaller rooms and larger lounge areas, which are increasing both in size and importance. A desk in the room used to be a standard requirement for business travel- ➤





**Room supply pipeline, Stockholm**

Year	Hotel	Type	Rooms
2015	Elite Palace Hotel, Vasastaden	Extension	33
2015	Urban Deli, Norrmalm	Establishment	110
2015	HTL, Norrmalm	Establishment	115
2015	Hotel Södermalm, Södermalm	Establishment	45
2015	Sleeping Fox, Norrmalm	Establishment	202
2016	Scandic Haymarket, Norrmalm	Establishment	136
2016	Scandic Continental, Norrmalm	Re-opening	400
2016	Motel L, Älvsjö	Establishment	172
2016	Apartments by Ligula, Älvsjö	Establishment	75
2016	Confidential, Norrmalm	Establishment	108
2017	Nordic Choice Hotels, Norrmalm	Establishment	340
2017	Nordic Choice Hotels, Norrmalm	Establishment	200
2017	Scandic Sergel Plaza, Norrmalm	Re-opening	420
Sum			2,356

Source: Annordia, April 2015

› lers, but this is no longer the case, which means that the size of the rooms can be reduced. In order to fill demand and create an attractive hotel environment, relatively comprehensive investments are therefore needed in existing hotel buildings. Another trend is that demand for niche hotels is increasing, and more and more hotel operators are investing in conceptualisation, which of course also places demands on investments in the building. New establishments are designed with a specific target group in view, and with facilities that are adapted to the specific segment. The guests are at the forefront for digitisation, which also means that hotel chains, operators and property owners must develop accordingly. Self-service desks for checking in and out, rooms arranged so that the guests can upload and enjoy their own stored material on the TV screen, or digitised sustainability work where guests are encouraged to take part in the sustainability work by using reports of energy and water consumption in real time, are just a few examples.

WITH THE GROWING INTEREST in investment in the hotel property market, declining return requirements and an increased appetite for risk follow. In today’s low interest environment and, in this way, drugged property market, it is certainly possible to find good returns in the short term through purchase and sale of hotel properties. The risk can surely be reduced if you are open for alternative housing if the hotel risks standing empty. The starting point for the long-term success of an investment in the hotel segment is a good hotel operator, who has the ability to create a healthy and attractive hotel environment. This prerequisite together with a growing hotel market, and thus good demand for the “rental market” and the other characteristics of the segment, with long leases where a large part of the property ownership liability is transferred to the tenant, creates good prerequisites for stable and secure cash flows and good returns. On the basis of these prerequisites, an investment in the hotel property segment looks like being a really nice deal, and a good risk-balancing component in a property portfolio. 📌

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# When do you perform best?

It's easy to get stuck in habitual thoughts and patterns. Even if people in the property sector try to think about buildings and spaces in new ways, we still end up with ceiling heights, surface materials, ventilation systems and stairwells. Space partitioning and workplaces start from the size of the desks, printers, coffee machines and coffee tables.

After all, we know what an office looks like. We know how things have to be in order for it to work. Or do we? Today's employees, young and old, are becoming more and more multi-tasking and look for flexibility in their work environment. Instead of building and doing as we have always done, we need to question ourselves. Perhaps we don't know at all what an office looks like?

**THE LABOUR MARKET** is changing, jobs are changing. Digitisation creates new behaviours, opportunities and professional roles. And it's happening fast. Studies show that for today's young people, work isn't just a job, but an extension of their personal identities. They are optimistic, connected and self-aware citizens of the world. Of course this guides their choice of employer. Today, a workplace in a well-planned city environment is a competitive advantage when there is a free-for-all fight for talent.

We property owners therefore need to loosen

» My driving force is people; people are always more important than buildings.«

our grip on the square metres and start asking different questions of our potential tenants: How do your employees live their lives? What makes them feel good and perform well? When are they happy? Few company managements know the answers today, even if they are totally crucial for productivity, success and recruitment.

**TODAY, IT ISN'T ENOUGH** just to consider how employees are to be seated, and where they are to be seated. Companies need to question whether employees need to be seated at all. Perhaps they need to jog out constructive solutions, lean against a tree and produce quarterly reports, or administer salaries at an espresso bar? All is based on the behaviour, environment and context that makes each and every one able and willing to perform their best.

I often talk about The Third Place. It is the borderless environment we find between our home and the classic workplace. Streets, squares, parks, restaurants, cafés, lounges and foyers, where people meet and relax. But the third place is also a space for inspiration, focus and consideration – what most people need in their jobs, but many lack.

**AT AMF FASTIGHETER**, we are managing one of Sweden's largest property projects. Right in the centre of Stockholm, we are converting five properties, four streets and two squares into a new city space – Urban Escape Stockholm. It's intended for people, employees and companies who understand that good job performance starts from the needs of individuals.

In Urban Escape Stockholm, we aren't building offices. Instead, we are creating lots of workplaces that people make their own. Places where ideas gather speed, meetings happen in unexpected places and the life puzzle is simplified by the proximity to shopping, entertainment and culture. There is a flow of knowledge, lectures, research and innovation to partake of. We are creating an eco-system where small companies oxygenate big ones, where operations can grow without having to move. We are creating environments where people are the starting point.

According to the Chamber of Commerce, by 2030 Stockholm will be short of 70,000 highly educated persons. Put your office and workplace into this context, and have another think. How are companies working to retain and attract the talent of the future? What characterises an interesting employer?

**MY DRIVING FORCE** is people; people are always more important than buildings. The inside is more important than the outside – both figuratively and literally. It is the combined knowledge and well-being of employees that builds successful, innovative and world-leading companies. Making sure people can and want to perform their best is, to the very last degree, both a self-evident and a necessary starting point for the property sector. ■

## KAROLIN FORSLING

Since 2014, Karolin Forsling has been Chief Development Officer and Marketing Manager at AMF Fastigheter. She has worked at AMF since 2007, when she was recruited from Atrium Ljungberg, where she developed projects such as Sickla Shopping Quarter. She has also worked for Norrporten, been a centre developer in Sundsvall and run her own company.

In 2013, she was ranked one of the world's most innovative city developers by UBM Future Cities.



PICTURE: AMF FASTIGHETER



JASON F MCLENNAN

Jason F McLennan, born in 1973 in Canada, is originally an architect. He is also a designer, author and lecturer.

In 2006 he launched the system Living Building Challenge.

Today he is the CEO at International Living Future Institute, which manages Living Building Challenge.



**INFLUENTIAL.** Jason F McLennan, founder of Living Building challenge is seen as one of the most influential people in the world in regards to sustainable buildings and areas.

# “How much is fresh air worth?”

■ Living Building Challenge is the environmental certification system that sets the highest requirements in the world on buildings and cities – they are not supposed to negatively affect the environment at all, and instead make positive contributions.

“We have to change our thinking and build in harmony with nature” says the system’s creator Jason F McLennan.

**By:** Nicklas Tolleson // **Picture:** Nic Lehoux

JASON F MCLENNAN, who will attend the Sweden Green Building Conference in Stockholm this fall, is one of the most influential in the world when it comes to sustainable cities and sustainable buildings.

“The interest in Living Building Challenge is growing rapidly.

This year the amount of registrations has increased with 40 percent compared to last year. 250 objects are registered across the globe.”

But only about a dozen projects have received their certification – at the earliest one year after moving in it is possible to receive the certificate.

The fundamental idea is for the buildings to be “alive” – they should generate more energy than they consume and the building should in all aspects contribute positively to the environment rather than negatively.

The system has 20 parameters, of which three are that they should be net positive in regards to energy, water and waste.

» It is rather easy to understand how a building can be energy positive – but waste?

“It’s not easy, but it’s all about attitude – this also requires a new way of thinking: waste does not exist – it’s all about finding new areas of use.”

Jason F McLennan’s lecture in Stockholm will first hand be about inspiration.



**THE BULLITT CENTER.** Living Building Challenge is administered from the Bullitt Center, one of a dozen projects that have been certified so far. The energy is generated from solar cells on the roof. Rain-water is purified in the house and covers the entire building’s water needs.

“I will show examples of projects we are working with, and show what is possible.”

» How has the interest from Swedish developers and real estate companies been?

“Sweden Green Building Council has shown a great interest and I know that there are member companies in SGBC that have been in contact with our organization, but we have no registered Swedish projects yet. But Sweden is a leading country in these issues and the climate does not significantly differ from Canada’s, where we have multiple active projects. There should be an interest in Sweden as well.”

» It is easier to be environmentally friendly if you simultaneously save money. How much more expensive is it in general to construct a Living Building?

“It of course depends on the circumstances. But the costs are lower than most people think. Our new head quarters in Seattle, The Bullitt Center, is certified and the initial cost was approximately 25 percent higher. In return it is much cheaper once it is built. We will for example never receive an energy bill.”

» *We have to take the climate change and global warming threats more seriously.*«

“Additionally we need to ask ourselves how much being able to breathe fresh air is worth? How much is it worth to have access to fresh water? And so on.”

» What is your vision for future construction?

“We have to realize that we cannot go on living the way we have. We have to take the climate change and global warming threats more seriously. I hope that everyone will realize that we have to build houses and cities in harmony with nature. Every once in a while it could be a good idea to reflect over the fact that once upon a time all our buildings were ‘living buildings’.” ■





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